

Message Text

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11

ACTION NEA-09

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----- 046878

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FM AMEMBASSY KUWAIT

TO USDOC WASHDC

SECSTATE WASHDC 0088

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DAMASCUS POUCH

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

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BEIRUT PASS BAGHDAD

EO 11652: NA

TAGS: BMEP, ETRN, EFIN: KU

SUBJ: ARAB COMPANY TO ORDER NEW TANKERS

REF: A) BEIRUT 6962; B) KUWAIT A-36; C) KUWAIT 2341; D)

BEIRUT A-119; E) KUWAIT 2605

SUMMARY: EMBASSY HAS VERIFIED WITH ABDUL RAHMAN SULTAN ACCURACY OF MEES INTERVIEW ON AMPTC PLANS AND LEARNED OF IMMINENT TENDER FOR SIX CRUDE AND PRODUCT TANKERS THIS SUMMER. WE STRUCK BY SIZE OF SHIP ORDERS EMANATING FROM KUWAIT AND UNCHARACTERISTIC DECISIVENESS WITH WHICH COMPANIES HERE MOVING. WE BELIEVE SHIPBUILDING ACTIVITY IN ENTIRE AREA DESERVES SERIOUS STUDY IN COMMERCE AND STATE IN ORDER THAT WE DERIVE, AT LEAST, SOME SUBSTANTIAL ECONOMIC BENEFIT FROM THIS DEVELOPMENT. THUS FAR, U.S. SHIPYARDS HAVE LARGELY IGNORED OR BEEN UNABLE TO BID ON

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SHIPBUILDING TENDERS IN KUWAIT, LEAVING THE FIELD ENTIRELY

TO EUROPEAN AND JAPANESE YARDS. IF IT DETERMINED US CANNOT HOPE TO BUILD THESE SHIPS, WE WOULD LIKE GUIDANCE ON OTHER WAYS US CAN BENEFIT FROM SHIPBUILDING ACTIVITY. END SUMMARY

1. REF D IS A SUMMARY OF A MIDDLE EAST ECONOMIC SURVEY INTERVIEW WITH THE MANAGING DIRECTOR OF THE ARAB MARITIME PETROLEUM TRANSPORT CO, ABDUL RAHMAN SULTAN, IN WHICH SULTAN CITES THE VAST AMOUNT OF NEW SHIP ORDERS WHICH WILL BE GENERATED BY HIS COMPANY IN THE NEXT SEVERAL YEARS. REFS B AND D OUTLINE PRESENT AND FUTURE ORDERS FOR NEW SHIPS BEING GENERATED BY OTHER LARGE COMPANIES BASED IN KUWAIT. TAKEN TOGETHER THESE INDICATED THAT THE SINGLE MOST IMPORTANT TRADING ACTIVITY IN KUWAIT AT PRESENT IS THE ACQUISITION OF TANKER AND CARGO SHIPS WHICH WILL DWARF SALES OF US AUTOS, AIRCRAFT AND EQUIPMENT FOR LARGE PROJECTS. THUS FAR, THE US SEEMS TO HAVE BEEN TOTALLY EXCLUDED FROM REALIZING ANY SUBSTANTIAL ECONOMIC BENEFIT FROM THIS ACTIVITY, WITH THE EXCEPTION OF CONSULTING, MANAGEMENT, AND CONSTRUCTION SUPERVISION CONTRACTS.

2. EMBOFF HAS SPOKEN WITH SULTAN AND VERIFIED ACCURACY OF ARTICLE APPEARING IN JUNE 14, MEES. SULTAN FURTHER STATED COMPANY WOULD IN SEVERAL DAYS BE SENDING OUT LETTERS OF INVITATION TO BID ON CONSTRUCTION OF:

A) 2 CRUDE CARRIERS OF 80,000-150,000 DWT

B) 2 DIRTY PRODUCT CARRIERS OF 50,000 AND 100,000 DWT
(HEATING OIL AND BUNKERS)

C) 2 CLEAN PRODUCT CARRIERS OF 40,000 TO 70,000 DWT (AVIATION FUEL AND METHANOL OR NAPHTHA).

THE DEADLINE FOR PROPOSALS COULD BE AS SOON AS JULY 31. FROM OTHER SOURCES WE HAVE ALSO LEARNED COMPANY IS NEGOTIATING TO BUY A SIXTH VLCC OF 386,000 DWT FROM A.G. WESER.

3. SULTAN SAID US SHIPYARDS IN THE PAST HAVE BEEN NOTIFIED OF SUCH TENDERS INCLUDING AVONDALE SHIPYARDS, BETHLEHEM, INGALLS SHIPBUILDING, MARYLAND SHIPBUILDING AND DRYDOCK, NATIONAL STEEL AND SHIPBUILDING, NEWPORT NEWS SHIPBUILDING LIMITED OFFICIAL USE

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AND DRYDOCK, AND SUN SHIPBUILDING. MOST OF THE US SHIPYARDS GAVE NO REPLIES TO LETTERS AND THOSE THAT DID (BETHLEHEM AND SUN) COULD NOT MEET DELIVERY SCHEDULES. HOWEVER, SULTAN EMPHASIZED HE AND OTHERS WOULD BE GREATLY PLEASED TO RECEIVE SERIOUS OFFERS FROM US YARDS AND MADE SOME COMMENTS HIGHLY CRITICAL OF THE JAPANESE BUSINESS PRACTICES, PRAISING "THE STRAIGHT FORWARDNESS" OF US BUSINESSMEN WITH WHOM HE HAS COME IN CONTACT. WE ALSO HAVE REASON TO BELIEVE THE KUWAIT

NATIONAL PETROLEUM CO MAY SOON BE GIVEN PERMISSION TO ORDER THEIR OWN PRODUCT TANKERS (SEE REF A).

4. AS A FURTHER SIDELIGHT, SULTAN SAID IT HAD BEEN DECIDED TO USE AN EQUITY CAPITAL TO LOAN CAPITAL RATIO OF 1:3 AND NOT RPT NOT 1:2 ON 2 BILLION WORTH OF SHIPPING IN THE NEXT THREE TO FOUR YEARS. HE SAID THE COMPANY WOULD LIKELY BE TALKING TO LARGE NEW YORK BANKS ABOUT FINANCING IN LATE 74 OR EARLY 75.

5. GIVEN THE MAGNITUDE OF THE ORDERS BEING PLACED AND THE SPEED WITH WHICH KUWAIT AND OTHER COUNTRIES IN THE AREA ARE PROCEEDING TO BUILD TANKER AND CARGO FLEETS, WE BELIEVE IT NECESSARY THAT COMMERCE AND STATE SHOULD DECIDE SOONEST IF THERE ANY WAY US CAN MORE FULLY PARTICIPATE IN PRESENT SHIPBUILDING ACTIVITY EMANATING FROM AREA, THEREBY REPATRIATING A SIZEABLE PORTION OF OUR OUTLAYS FOR PETROLEUM IMPORTS.

6. SPECIFICALLY, WE PROPOSE INDUSTRY EXPERTS IN COMMERCE EXAMINE THE SITUATION AND DETERMINE IF THERE ANY WAY US FIRMS CAN MAKE COMPETITIVE OFFERS FOR BUILDING THESE SHIPS. WE ALSO PROPOSE THAT SELECTED US SHIPYARDS BE ENCOURAGED TO EXAMINE THE SITUATION FIRSTHAND EITHER IN KUWAIT OR UK. RE UK, ABDUL RAHMAN SULTAN HAS OFFERED TO MEET WITH US REPS IN LONDON WHERE HE WILL BE VACATIONING AFTER JULY 9 UNTIL SOMETIME IN AUGUST. KUWAIT OIL TANKERS CO ALSO MAINTAINS AN IMPORTANT OFFICE IN LONDON AND KUWAIT SHIPPING CO HAS OFFICE IN LIVERPOOL.

7. IF INDUSTRY EXPERTS AND COMPANIES CONCLUDE US CANNOT BUILD ANY OF THESE SHIPS, THEN WE WOULD APPRECIATE GUIDANCE ON HOW US CAN DERIVE MAXIMUM BENEFIT FROM THIS ACTIVITY, I.E. HOW CAN WE MAXIMIZE UTILIZATION OF US SUB-CONTRACTING, EQUIPMENT, AND SERVICES LIKELY TO FAVORABLY CONTRIBUTE TO OUR TRADE LIMITED OFFICIAL USE

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PAYMENTS BALANCE.

8. POST WOULD WELCOME COMMENTS FROM OTHER ADDRESSEES. MCCLELLAND

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Message Attributes

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